

Government of the District of Columbia



**Office of the Deputy Mayor
for Planning and Economic Development**

Testimony of
Stanley Jackson
Deputy Mayor

Hearing on the Proposed NW1 Redevelopment Plan

Committee on Economic Development
Sharon Ambrose, Chair
Council of the District of Columbia

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Room
John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, DC 20004
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Good morning, Chairperson Ambrose, and members of the Committee on Economic Development. My name is Stanley Jackson, Deputy Mayor for Planning & Economic Development and I am pleased to appear before you this morning in support of the proposed Northwest One Redevelopment Plan. You have heard from my colleagues about the New Communities vision and commitment, the human capital framework and the proposed Master Plan for Northwest One. I will describe the Development and Finance Strategy for the NW1 Redevelopment Plan. I will highlight three areas: (1) site control (2) schedule; and, (3) financial strategy. The Development and Finance Strategy is vital because it represents the link between what the government has promised – the Guiding Principles – and how the government proposes to deliver on that promise.

As I describe these three elements, I first want to remind the Committee of the development principles in which this redevelopment plan is anchored:

- Mixed-income
- 1:1 replacement of deeply subsidized units
- Right to stay
- Build First

My colleagues have described how the proposed development program protects and expands affordable housing while offering a variety of high quality housing options and neighborhood amenities for residents of diverse income patterns.

Site Control

Site control is the key development issue for Northwest One. Site control will facilitate and enhance the likelihood of the success of this redevelopment plan. With site control, residents who live in the neighborhood will be guaranteed the right to stay if they so choose.. Without site control, families and residents cannot be guaranteed a home in the future – a future that we can already see being negatively impacted by spiraling property values and spiking rents.

The good news is that the public sector already controls sixty percent of the 28 acres of land necessary to build out the proposed development program. Three HUD-insured properties – Golden Rule Center, Temple Court and Sursum Corda Cooperative – represent 90% of the required land that is presently owned by private owners.

Assemblage of the site is essential to maximize a mixed income development at a reasonable density, to manage the phased development, and to facilitate high-quality human capital programming.

We must mix incomes at all properties or we risk creating islands of “market rate” buildings or “section 8” buildings. The mixed-income buildings must be built at reasonable.

Let me give you an example of how site control enables mixed-income at appropriate density. Imagine a property that today has 150 units of low-income housing. In order to mix incomes, you can either build 450 units on the same footprint of property – with 150 units of low-income housing, 150 units of workforce and 150 units of market rate – or you can erase the property

lines and sprinkle the mix of incomes across property lines. The sprinkling of incomes across property lines enables a mixed-income community at a reasonable density that works for families.

Past experience with urban renewal has sometimes led to the unfortunate location of low-income families in high rise settings, with little or no recreation areas for children and teenagers, and corridors that do not promote a feeling of community, instead of parks where residents of all backgrounds and incomes can intermingle.. This experience has led too often to the proliferation of bad outcomes for all and an environment in which certain social pathologies such as crime and drugs have been allowed to fester.

The affordability mix of each property contributes to reaching of income goals without overloading individual sites with density.

Second, in addition to income mixing and appropriate densities, we must ensure that families don't get lost during the redevelopment process. Our development strategy calls for a carefully-phased redevelopment in which new housing is Built First before existing housing is demolished..

Third, we must successfully integrate human capital programming across all areas of the redevelopment. The vibrancy of a new mixed-income community hinges on existing residents having the tools to not only survive, but thrive in the new neighborhood.

Schedule

We propose to spend the first six months of calendar year 2006 negotiating site control, working with the CFO's office to issue necessary Trust Fund-backed bonds, and begin human capital programming activities. The second half of 2006 will be used to dispose of parcels to selected master developer(s) and negotiating master development agreements.. We are determined to proceed in an aggressive manner to protect and expand affordable housing. Construction on the Build First parcels should start as soon as practical, but in any event by early 2007 – a very aggressive timeline.

Preliminary Estimated Sources & Uses

As you know, Council instructed the Executive to complete a redevelopment plan with financial assumptions. We have done this and now ask Council's support to enable us to move forward.

Both my office and our consultants, working closely with DHCD, the Housing Authority, NCRC and the Housing Finance Agency have performed a financial analysis to support the redevelopment plan. Our preliminary estimates are subject to change as market conditions evolve. Both construction costs and land values are increasing in Washington, DC. However, our preliminary estimated sources and uses of funds contemplate a project cost of approximately \$558 million, consisting of hard and soft development costs, land acquisition cost, and necessary upfront public investments [human capital programming, infrastructure and site preparation, relocation and demolition, and 3rd party program management].

The proposed sources of funds have been carefully analyzed given the economics of the redevelopment plan. The financing strategy is to maximize all available private and federally-subsidized capital. To that end, we propose to leverage over \$300 million in tax-exempt debt and Low Income Housing Tax Credits. We also proposed to invest our federal grant dollars and over \$50 million in proceeds from the sale of market-rate units to cross-subsidize the more than 1,000 units of affordable housing, thereby reducing the amount of subsidy needed from the District.

Still, after assembling more than \$300 million of capital, the District will face a gap of approximately \$110 million on the redevelopment project – and possibly more based on the changing market conditions. To fill that gap, the District proposes the issuance of bonds backed by the Housing Production Trust Fund revenue stream. The Council gave the Executive the authority to issue bonds requiring up to \$6 million in annual debt service in this year's Budget Support Act. As Council considers the adoption of this redevelopment plan, the Executive will bring forward a bond approval resolution to enable the securitization of that \$6 million in revenue, netting an expected \$70 million in bond proceeds. We will use these proceeds to advance our site control negotiations during the first half of the calendar year. We plan to return to Council during the FY 2007 budget cycle to request the authority to securitize an additional \$6 million of the Trust Fund to fill the anticipated gap on this affordable housing project.

Chairperson Ambrose, this concludes my testimony. I look forward to answering your questions. Thank you for the opportunity to testify this morning.

Stanley Jackson, Deputy Mayor for Planning and Economic Development
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Northwest One Redevelopment Project
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